

VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-------------------------------|---|--------------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Village of Hopkins | County Allegan County |
| Fiscal Year End December 31, 2005 | Opinion Date June 20, 2006 | Date Audit Report Submitted to State June 26, 2006 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

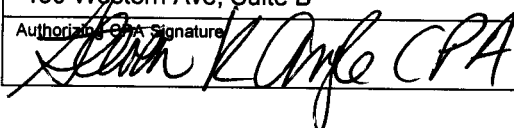
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|---|-------------------------------------|--|--------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Angle & Steffes, P.C. | | Telephone Number 269-686-9050 | |
| Street Address 430 Western Ave, Suite B | | City Allegan | State MI |
| Authorized CPA Signature  | | Printed Name Steven K. Angle, CPA | Zip 49010 |
| | | License Number 14653 | |

VILLAGE OF HOPKINS

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INDEPENDENT AUDITOR'S REPORT

June 20, 2006

To the Village Council
Village of Hopkins
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental and business activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Hopkins, Allegan County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Hopkins, Allegan County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

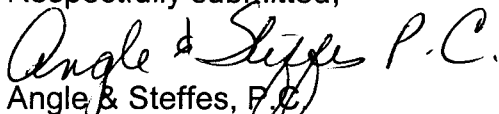
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Hopkins as of December 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of December 31, 2003.

The management's discussion and analysis and budgetary comparison information on page 2 and 26 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,


Angle & Steffes, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS VILLAGE OF HOPKINS, ALLEGAN COUNTY

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer view of the Village finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government wide financial statements.

The Village as a Whole

The Government Wide Statements show that, overall, the primary Village units' net assets decreased by \$27,450. An analysis of this activity shows a decrease of \$45,331 in governmental fund activity as a result of higher than expected costs in police wages, gas and oil, office supplies, repairs and maintenance and utilities.

We also incurred additional expense for leaf pickup service. This added service was used by most Village residents and we received a lot of positive feedback from the residents on it.

Our sewer fund, or business fund, reflected an increase in net assets of \$17,881. We were able to surpass our goals and begin the process of building our sewer reserves back up by investing \$50,000 in certificates of deposit.

Contacting the Village of Hopkins Management

Copies of the audited financial reports are available through the Village clerk. If you have any questions, or need further information, please contact the clerk or attend the monthly Village of Hopkins Board meetings.

**VILLAGE OF HOPKINS
GOVERNMENT WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

| | Primary Government | | | |
|-------------------------------|----------------------------|-----------------------------|-------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total | Component Units |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 72,348 | \$ 92,164 | \$ 164,512 | \$ 188,913 |
| Investments | 0 | 0 | 0 | 0 |
| Receivables - net | 39,892 | 4,480 | 44,372 | 44,515 |
| Prepays | 2,330 | 0 | 2,330 | 1,451 |
| Capital assets - net | 467,649 | 367,863 | 835,512 | 125,508 |
| Total Assets | 582,219 | 464,507 | 1,046,726 | 360,387 |
| LIABILITIES | | | | |
| Accounts payable | 0 | 0 | 0 | 1,499 |
| Accrued and other liabilities | 0 | 0 | 0 | 0 |
| Noncurrent Liabilities | | | | |
| Due within one year | 2,950 | 0 | 2,950 | 0 |
| Due in more than one year | 0 | 0 | 0 | 0 |
| Total Liabilities | 2,950 | 0 | 2,950 | 1,499 |
| NET ASSETS | | | | |
| Invested in Capital Assets | | | | |
| Net of related debt | 464,699 | 367,863 | 832,562 | 125,508 |
| Restricted For | | | | |
| Streets and highways | 18,779 | 0 | 18,779 | 0 |
| Public safety | 2,225 | 0 | 2,225 | 0 |
| Library/community development | 0 | 0 | 0 | 233,380 |
| Unrestricted | 93,566 | 96,644 | 190,210 | 0 |
| Total Net Assets | <u>\$ 579,269</u> | <u>\$ 464,507</u> | <u>\$ 1,043,776</u> | <u>\$ 358,888</u> |

The Notes to Financial Statement are an integral part of this statement.

**VILLAGE OF HOPKINS
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005**

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-Type Activities | Total | Component Units |
| Primary Government | | | | | | | | |
| General government | \$ 125,045 | \$ 0 | \$ 1,200 | \$ 0 | \$ (123,845) | \$ 0 | \$ (123,845) | \$ 0 |
| Public safety | 83,336 | 2,150 | 0 | 0 | (81,186) | 0 | (81,186) | 0 |
| Public works | 101,201 | 0 | 0 | 0 | (101,201) | 0 | (101,201) | 0 |
| Community/Economic development | 408 | 0 | 0 | 0 | (408) | 0 | (408) | 0 |
| Recreation and culture | 850 | 0 | 0 | 0 | (850) | 0 | (850) | 0 |
| Debt service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Governmental Activities | 310,840 | 2,150 | 1,200 | 0 | (307,490) | 0 | (307,490) | 0 |
| Business-Type Activities | | | | | | | | |
| Sewer Fund | 45,220 | 60,789 | 0 | 0 | 0 | 15,569 | 0 | 0 |
| Total Primary Government | \$ 356,060 | \$ 62,939 | \$ 1,200 | \$ 0 | (307,490) | 15,569 | (291,921) | 0 |
| Component Units | | | | | | | | |
| Library Fund | \$ 92,400 | \$ 343 | \$ 0 | \$ 0 | 0 | 0 | 0 | (92,057) |
| Downtown Development Fund | 1,833 | 0 | 0 | 0 | 0 | 0 | 0 | (1,833) |
| Total Component Units | \$ 94,233 | \$ 343 | \$ 0 | \$ 0 | 0 | 0 | 0 | (93,890) |
| General Revenues | | | | | | | | |
| Property taxes | | | | | 79,738 | 0 | 79,738 | 48,408 |
| State revenues | | | | | 107,414 | 0 | 107,414 | 4,722 |
| Unrestricted investment earnings | | | | | 531 | 2,312 | 2,843 | 2,829 |
| Rent | | | | | 47,154 | 0 | 47,154 | 0 |
| Miscellaneous, fines & forfeits | | | | | 27,322 | 0 | 27,322 | 47,809 |
| Transfers | | | | | 0 | 0 | 0 | 0 |
| Total General Revenues-Special Items and Transfers | | | | | 262,159 | 2,312 | 264,471 | 103,768 |
| Change in Net Assets | | | | | (45,331) | 17,881 | (27,450) | 9,878 |
| Net Assets-Beginning | | | | | 624,600 | 446,626 | 1,071,226 | 349,010 |
| Net Assets-Ending | | | | | \$ 579,269 | \$ 464,507 | \$ 1,043,776 | \$ 358,888 |

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF HOPKINS
GOVERNMENTAL FUND BALANCE SHEET
December 31, 2005

| | General Fund | Major Street Fund | Local Street Fund | Police Fund | Non-Major Governmental Fund | Total Governmental Funds |
|---------------------------|--------------|-------------------|-------------------|-------------|-----------------------------|--------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 60,826 | \$ 1,330 | \$ 9,620 | \$ 572 | \$ 0 | \$ 72,348 |
| Investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables - net | 30,410 | 5,658 | 2,171 | 1,653 | 0 | 39,892 |
| Due from other funds | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepays | 2,330 | 0 | 0 | 0 | 0 | 2,330 |
| Total Assets | 93,566 | 6,988 | 11,791 | 2,225 | 0 | 114,570 |
| LIABILITIES | | | | | | |
| Accounts payable | 0 | 0 | 0 | 0 | 0 | 0 |
| Due to other funds | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |

FUND BALANCES

| | | | | | | |
|---------------------|-----------|----------|-----------|----------|------|------------|
| Reserved for | | | | | | |
| Public works | 0 | 6,988 | 11,791 | 0 | 0 | 18,779 |
| Public safety | 0 | 0 | 0 | 2,225 | 0 | 2,225 |
| Unreserved | 93,566 | 0 | 0 | 0 | 0 | 93,566 |
| Total Fund Balances | \$ 93,566 | \$ 6,988 | \$ 11,791 | \$ 2,225 | \$ 0 | \$ 114,570 |

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 467,649

Debt principal repayments and proceeds of debt are not reported on the statement of activities. (2,950)

Net Assets of Governmental Activities

\$ 579,269

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF HOPKINS
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
December 31, 2005

| | General Fund | Major Street Fund | Local Street Fund | Police Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|-----------------|-------------------|-------------------|-----------------|------------------------------|--------------------------|
| Revenues | | | | | | |
| Taxes and penalties | \$ 69,926 | \$ 0 | \$ 0 | \$ 9,812 | \$ 0 | \$ 79,738 |
| Licenses and permits | 0 | 0 | 0 | 0 | 2,150 | 2,150 |
| State aid | 56,948 | 36,361 | 14,105 | 0 | 0 | 107,414 |
| Contributions from Local Units | 1,200 | 0 | 0 | 0 | 0 | 1,200 |
| Charges for services | 0 | 0 | 0 | 0 | 0 | 0 |
| Fines & Forfeits | 4,856 | 0 | 0 | 0 | 0 | 4,856 |
| Interest and rentals | 47,595 | 51 | 14 | 25 | 0 | 47,685 |
| Other revenue | 14,555 | 3,244 | 695 | 3,972 | 0 | 22,466 |
| Total Revenues | 195,080 | 39,656 | 14,814 | 13,809 | 2,150 | 265,509 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | 110,685 | 0 | 0 | 0 | 0 | 110,685 |
| Public safety | 16,130 | 0 | 0 | 62,116 | 2,150 | 80,396 |
| Public works | 0 | 59,624 | 27,801 | 0 | 0 | 87,425 |
| Recreation and cultural | 850 | 0 | 0 | 0 | 0 | 850 |
| Community/Economic development | 408 | 0 | 0 | 0 | 0 | 408 |
| Capital outlay | 3,562 | 0 | 0 | 0 | 0 | 3,562 |
| Debt Service | 0 | 0 | 0 | 0 | 12,050 | 12,050 |
| Total Expenditures | 131,635 | 59,624 | 27,801 | 62,116 | 14,200 | 295,376 |
| Excess of Revenues Over (Under) Expenditures | 63,445 | (19,968) | (12,987) | (48,307) | (12,050) | (29,867) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | 0 | 17,000 | 15,500 | 49,122 | 12,050 | 93,672 |
| Transfers (out) | (84,672) | (9,000) | 0 | 0 | 0 | (93,672) |
| Total Other Financing Sources (Uses) | (84,672) | 8,000 | 15,500 | 49,122 | 12,050 | 0 |
| Excess of Revenue and Other Sources Over (Under) Expenditures & Other Uses | (21,227) | (11,968) | 2,513 | 815 | 0 | (29,867) |
| Fund Balance - Jan 1, 2005 | 114,793 | 18,956 | 9,278 | 1,410 | 0 | 144,437 |
| Fund Balance-Dec 31, 2005 | \$ 93,566 | \$ 6,988 | \$ 11,791 | \$ 2,225 | \$ 0 | \$ 114,570 |

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOPKINS
 PROPRIETARY FUND STATEMENT OF NET ASSETS
 DECEMBER 31, 2005**

Sewer
 Fund

ASSETS

Current Assets

| | | |
|----------------------------|----|--------|
| Cash and cash equivalents | \$ | 92,164 |
| Investments | | 0 |
| Receivables - net | | 4,480 |
| Due from other governments | | 0 |

| | | |
|----------------------|--|--------|
| Total Current Assets | | 96,644 |
|----------------------|--|--------|

Noncurrent Assets

| | | |
|----------------------|--|---------|
| Capital Assets - net | | 367,863 |
|----------------------|--|---------|

| | | |
|-------------------------|--|---------|
| Total Noncurrent Assets | | 367,863 |
|-------------------------|--|---------|

| | | |
|--------------|--|---------|
| Total Assets | | 464,507 |
|--------------|--|---------|

LIABILITIES

Current Liabilities

| | | |
|---|--|---|
| Accounts payable | | 0 |
| Due to other funds | | 0 |
| Current portion of noncurrent liabilities | | 0 |

| | | |
|---------------------------|--|---|
| Total Current Liabilities | | 0 |
|---------------------------|--|---|

Noncurrent Liabilities

| | | |
|--------------------------------|--|---|
| Bonds, notes and loans payable | | 0 |
|--------------------------------|--|---|

| | | |
|------------------------------|--|---|
| Total Noncurrent Liabilities | | 0 |
|------------------------------|--|---|

| | | |
|-------------------|--|---|
| Total Liabilities | | 0 |
|-------------------|--|---|

NET ASSETS

| | | |
|--|--|---------|
| Invested in capital assets - net of related debt | | 367,863 |
| Restricted for debt service | | 0 |
| Unrestricted | | 96,644 |

| | | |
|------------------|----|---------|
| Total Net Assets | \$ | 464,507 |
|------------------|----|---------|

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOPKINS
 PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS
 DECEMBER 31, 2005**

| | <u>Sewer Fund</u> |
|--|--------------------------|
| Operating Revenues | |
| Charges for services | \$ 60,789 |
| Other | <u>0</u> |
| Total Operating Revenues | <u>60,789</u> |
| Operating Expenses | |
| Public works | <u>45,220</u> |
| Total Operating Expenses | <u>45,220</u> |
| Operating Income (Loss) | <u>15,569</u> |
| Nonoperating Revenues (Expenses) | |
| Interest and investment revenue | <u>2,312</u> |
| Total Nonoperating Revenue (Expense) | <u>2,312</u> |
| Change in Net Assets | 17,881 |
| Total Net Assets - Beginning Jan 1, 2005 | <u>446,626</u> |
| Total Net Assets - Ending Dec 31, 2005 | <u><u>\$ 464,507</u></u> |

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOPKINS
 PROPRIETARY FUND STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2005**

| | | <u>Sewer Fund</u> |
|--|----------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating income | \$ 15,569 | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | |
| Increase in accounts receivable | (1,128) | |
| Decrease in accounts payable | 0 | |
| Effect of prior year transactions | 0 | |
| Depreciation | <u>16,789</u> | |
| Net cash provided (used) by operating activities | | 31,230 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchases of capital assets | <u>(5,313)</u> | |
| Net cash provided (used) by capital and related financing activities | | (5,313) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest and dividends | <u>2,312</u> | |
| Net Cash Provided by Investing Activities | | <u>2,312</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 28,229 |
| Balances - Beginning of the year | | <u>63,935</u> |
| Balances - End of the year | | <u><u>\$ 92,164</u></u> |

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF HOPKINS
STATEMENT OF NET ASSETS-COMPONENT UNITS
DECEMBER 31, 2005

| | Downtown Development Fund | Library Fund | Total Component Units |
|--|---------------------------------|-------------------|-----------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 69,746 | \$ 119,167 | \$ 188,913 |
| Investments | 0 | 0 | 0 |
| Receivables - net | 18,424 | 26,091 | 44,515 |
| Capital assets - net | 0 | 125,508 | 125,508 |
| Prepaid assets | 0 | 1,451 | 1,451 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | 88,170 | 272,217 | 360,387 |
| | <hr/> | <hr/> | <hr/> |
| LIABILITIES | | | |
| Accounts payable | 0 | 1,499 | 1,499 |
| Accrued and other liabilities | 0 | 0 | 0 |
| Noncurrent liabilities | | | |
| Due within one year | 0 | 0 | 0 |
| Due in more than one year | 0 | 0 | 0 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | 0 | 1,499 | 1,499 |
| | <hr/> | <hr/> | <hr/> |
| NET ASSETS | | | |
| Invested in capital assets - net of related debt | 0 | 125,508 | 125,508 |
| Restricted for | | | |
| Library services | | 145,210 | 145,210 |
| Cultural/Community development | 88,170 | | 88,170 |
| Unrestricted | 0 | 0 | 0 |
| | <hr/> | <hr/> | <hr/> |
| Total Net Assets | <u>\$ 88,170</u> | <u>\$ 270,718</u> | <u>\$ 358,888</u> |

The Notes to Financial Statements are an integral part of this statement.

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|----------------------------------|------------------|----------------------|------------------------------------|---|--------------|---------------------------|-------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Library Fund | Downtown Development Fund | Total |
| Library Fund | | | | | | | |
| Cultural and recreation | \$ 92,400 | \$ 343 | \$ 0 | \$ 0 | \$ (92,057) | \$ 0 | \$ (92,057) |
| | 1,833 | 0 | 0 | 0 | 0 | (1,833) | (1,833) |
| Downtown Development Fund | | | | | | | |
| Cultural and recreation | | | | | | | |
| | 94,233 | 343 | 0 | 0 | (92,057) | (1,833) | (93,890) |
| General Revenues | | | | | | | |
| Property Taxes | | | | | 31,313 | 17,095 | 48,408 |
| State aid | | | | | 4,722 | 0 | 4,722 |
| Unrestricted investment earnings | | | | | 2,336 | 493 | 2,829 |
| Fines & forfeits | | | | | 40,694 | 0 | 40,694 |
| Miscellaneous | | | | | 5,115 | 2,000 | 7,115 |
| Total General Revenues | | | | | 84,180 | 19,588 | 103,768 |
| Change in Net Assets | | | | | (7,877) | 17,755 | 9,878 |
| Net Assets-Beginning | | | | | 278,595 | 70,415 | 349,010 |
| Net Assets-Ending | | | | | \$ 270,718 | \$ 88,170 | \$ 358,888 |

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**VILLAGE OF HOPKINS
COMPONENT UNIT BALANCE SHEET
DECEMBER 31, 2005**

| | Downtown Development Fund | Library | Total Component Units |
|--|---------------------------------|-------------------|-----------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 69,746 | \$ 119,167 | \$ 188,913 |
| Investments | 0 | 0 | 0 |
| Receivables - net | 18,424 | 26,091 | 44,515 |
| Due from other funds | 0 | 0 | 0 |
| Prepaid Assets | 0 | 1,451 | 1,451 |
| Total Assets | <u>88,170</u> | <u>146,709</u> | <u>234,879</u> |
| LIABILITIES | | | |
| Accounts payable | 0 | 1,499 | 1,499 |
| Due to other funds | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Liabilities | <u>0</u> | <u>1,499</u> | <u>1,499</u> |
| FUND BALANCES | | | |
| Reserved For | | | |
| Library services | 0 | 145,210 | 145,210 |
| Cultural/Community facility | 88,170 | 0 | 88,170 |
| Unreserved | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Fund Balances | <u>\$ 88,170</u> | <u>\$ 145,210</u> | <u>233,380</u> |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | | | <u>125,508</u> |
| Net Assets of Component Units | | | <u>\$ 358,888</u> |

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF HOPKINS
COMPONENT UNIT STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2005**

| | Downtown Development Fund | Library | Total Component Units |
|---|---------------------------------|-------------------|-----------------------------|
| Revenues | | | |
| Taxes and penalties | \$ 17,095 | \$ 31,313 | \$ 48,408 |
| Licenses and permits | 0 | 0 | 0 |
| State aid | 0 | 4,722 | 4,722 |
| Contributions | 0 | 0 | 0 |
| Charges for services | 0 | 343 | 343 |
| Fines and forfeits | 0 | 40,694 | 40,694 |
| Interest and rentals | 493 | 2,336 | 2,829 |
| Other revenue | 2,000 | 5,115 | 7,115 |
| | <u>19,588</u> | <u>84,523</u> | <u>104,111</u> |
| Total Revenues | | | |
| | 19,588 | 84,523 | 104,111 |
| Expenditures | | | |
| Current | | | |
| Library services | 0 | 73,636 | 73,636 |
| Cultural/Community services | 0 | 0 | 0 |
| Capital Outlay | 1,833 | 4,688 | 6,521 |
| | <u>1,833</u> | <u>78,324</u> | <u>80,157</u> |
| Total Expenditures | | | |
| | 1,833 | 78,324 | 80,157 |
| Excess of Revenues Over (Under) Expenditures | <u>17,755</u> | <u>6,199</u> | <u>23,954</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | 0 | 0 | 0 |
| Transfers (out) | 0 | 0 | 0 |
| | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Other Financing Sources (Uses) | | | |
| | 0 | 0 | 0 |
| Excess of Revenue and Other Sources Over (Under) Expenditures & Other Uses | 17,755 | 6,199 | 23,954 |
| Fund Balance-Jan 1, 2005 | 70,415 | 139,011 | 209,426 |
| | <u>70,415</u> | <u>139,011</u> | <u>209,426</u> |
| Fund Balance-Dec 31, 2005 | <u>\$ 88,170</u> | <u>\$ 145,210</u> | <u>\$ 233,380</u> |

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Hopkins, Allegan County, Michigan is a general law municipal village. The Village operates under an elected Council government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Village of Hopkins conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. The Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Village of Hopkins. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Component Units

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

Discretely Presented Component Units

The component units' columns in the combined financial statements include the financial data of the Village of Hopkins' two other component units. Those units are reported in a separate column to emphasize that they are legally separate from the Village of Hopkins, but for which the Village is financially accountable, or its' relationship with the Village is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

The Village of Hopkins approved the Downtown Development Authority in 1992. The Township of Hopkins has provided tax increment funding during the period under audit. The DDA plan provides funding for Village water systems, park improvements, land use planning and zoning, sanitary sewer improvements, side walk improvements, and any other projects.

The Public Library provides access to literary mediums. Magazines, books, videos and computer access allow residents of local townships and the Village to enjoy research and reading.

The complete financial statements of the individual component units are included within this report on audit of financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major and Local Street Funds and Police Fund are Special Revenue Funds of the Village. The Major and Local Street Funds and Police Fund are used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the government reports the following non-major fund types:

The Building Inspection and Debt Service Funds are Special Revenue Funds of the Village. The Building Inspection Fund is used to account for proceeds of special purpose programs. The Debt Service Fund is used to account for debt repayments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Village of Hopkins does have one enterprise fund, the Sewer Fund.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating revenue items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for sales and services. The sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Summer taxes are levied by the Village. Winter taxes are levied by the Township of Hopkins on the Village's behalf. Property taxes are levied in July (Village) and December (Township) on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the following respective period, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

| | |
|-----------------------|----------------|
| Buildings | 30 to 40 years |
| Building Improvements | 15 to 30 years |
| Roads | 10 to 30 years |
| Sidewalks | 20 to 30 years |
| Fire Equipment | 07 to 25 years |
| Vehicles | 03 to 07 years |
| Office Equipment | 05 to 07 years |
| Computer Equipment | 03 to 07 years |

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Compensated absences and unpaid vacations were considered but not accrued due to immateriality in amount.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-wide financial statements differ from the Governmental fund financial statements for the effect of the inclusion of capital assets and long term debts.

| | | |
|---------------------------------------|----|------------------|
| Capitalized Asset Costs | \$ | 892,926 |
| Less Accumulated Depreciation | | <u>(425,277)</u> |
| Capital Assets - net | | 467,649 |
| Less Short Term debt | | <u>(2,950)</u> |
| Net Adjustments | | 464,699 |
| Governmental Fund Balances | | <u>114,570</u> |
| Net Assets of Governmental Activities | \$ | 579,269 |

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-The Village of Hopkins follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Village Council approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Village Council, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2005**

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

| <u>Budget Item</u> | <u>Budget Appropriation</u> | <u>Actual Expenditure</u> |
|--|---------------------------------|-------------------------------|
| General Fund - Building & Grounds | \$ 63,500 | \$ 63,924 |
| General Fund - Attorney | 1,500 | 1,568 |
| General Fund - Transfer to Other Funds | 84,500 | 84,672 |
| Major Street - Roads/Sidewalks | 58,050 | 59,624 |
| Police Fund - Public Safety | 62,000 | 62,116 |

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.

NOTE 4 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government of federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

| | <u>Governmental Activities</u> | <u>Proprietary Funds</u> | <u>Total Primary Government</u> | <u>Component Units</u> |
|-------------------------|------------------------------------|------------------------------|-------------------------------------|----------------------------|
| Cash & Cash Equivalents | \$ 72,348 | \$ 92,164 | \$ 164,512 | \$ 188,913 |

The breakdown between deposits and investments is as follows:

| | <u>Primary Government</u> | <u>Component Units</u> |
|---|-------------------------------|----------------------------|
| Bank Deposits (checking and savings accounts, certificates of deposit) | \$ 164,512 | \$188,913 |
| Investments in Securities, Mutual Funds and Similar Vehicles | - | - |
| Petty Cash and Cash on Hand | - | - |
| Total | <u>\$ 164,512</u> | <u>\$ 188,913</u> |

The book balance of the primary government's deposits is \$164,512 of which \$150,812 is covered by federal depository insurance.

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major, nonmajor and business funds, with discretely presented component units in the aggregate, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

| | Major Funds | | | | Non-Major and Other Funds | Governmental Activities Total | Business Type | Component Units |
|------------------------------------|-----------------|----------------------|----------------------|----------------|---------------------------------|-------------------------------------|------------------|--------------------|
| | General Fund | Major Street Fund | Local Street Fund | Police Fund | | | | |
| Charges receivable | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 3,359 | \$ 0 |
| Taxes receivable | 11,507 | 0 | 0 | 1,653 | 0 | 13,160 | 1,121 | 44,515 |
| State revenues receivable | 18,903 | 5,658 | 2,171 | 0 | 0 | 26,732 | 0 | 0 |
| Less: allowance for uncollectibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Receivables | \$ 30,410 | \$ 5,658 | \$ 2,171 | \$ 1,653 | \$ 0 | \$ 39,892 | \$ 4,480 | \$ 44,515 |

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| Primary Government | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 45,506 | \$ 0 | \$ 0 | \$ 45,506 |
| Subtotal | <u>45,506</u> | <u>0</u> | <u>0</u> | <u>45,506</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings, additions and improvements | 47,968 | 0 | 0 | 47,968 |
| Improvements other than buildings | 640,753 | 5,313 | 0 | 646,066 |
| Vehicles | 85,305 | 0 | 0 | 85,305 |
| Machinery and equipment | 71,449 | 5,395 | 0 | 76,844 |
| Infrastructure | 623,273 | 0 | 0 | 623,273 |
| Subtotal | <u>1,468,748</u> | <u>10,708</u> | <u>0</u> | <u>1,479,456</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings, additions and improvements | 20,523 | 2,532 | 0 | 23,055 |
| Improvements other than buildings | 239,777 | 17,150 | 0 | 256,927 |
| Vehicles | 48,483 | 10,342 | 0 | 58,825 |
| Machinery and equipment | 54,036 | 4,065 | 0 | 58,101 |
| Infrastructure | 278,766 | 13,776 | 0 | 292,542 |
| Subtotal | <u>641,585</u> | <u>47,865</u> | <u>0</u> | <u>689,450</u> |
| Net Capital Assets Being Depreciated | <u>827,163</u> | <u>(37,157)</u> | <u>0</u> | <u>790,006</u> |
| Governmental and Business Activities | | | | |
| Capital Total | | | | |
| Capital Assets-Net of Depreciation | <u>\$ 872,669</u> | <u>\$ (37,157)</u> | <u>\$ 0</u> | <u>\$ 835,512</u> |

The Village assets have been evaluated according to GASB 34 guidelines. The Village owns the main street bridge which historical cost values are unknown. This asset is fully depreciated, as applicable, with unknown salvage values. The most recent asset acquisitions are recorded and depreciated.

The Village maintains all infrastructure within the Village Limits. Private individuals have partially funded infrastructure. An estimated historical value at time of donation equals \$153,623 for these roads. Sewer systems are owned and maintained by the Village.

Depreciation expense was charged to programs of the Village as follows:

Primary Government

| | |
|-------------------------------------|------------------|
| General government | \$ 14,360 |
| Public safety | 2,940 |
| Public works | 13,776 |
| Sewer | <u>16,789</u> |
| Total Primary Government Activities | <u>\$ 47,865</u> |

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 6 - CAPITAL ASSETS (Continued)

Capital asset activity

| Component Units | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|-------------------------------|------------------------------|------------------|------------------|---------------------------|
| Hopkins Library | \$ 381,240 | \$ 4,688 | \$ 0 | \$ 385,928 |
| Less Accumulated Depreciation | <u>(241,656)</u> | <u>(18,764)</u> | <u>0</u> | <u>(260,420)</u> |
| Net Value | 139,584 | (14,076) | 0 | 125,508 |

The component units are recording fixed assets as follows:

The Library retains control of its assets and maintains them. The building was constructed in 1979 with subsequent additions and improvements. An estimate of books was obtained to include this material collection. The Downtown Development Association purchases capital assets. However, the assets are given to the Village to maintain and control their use. Examples from prior years are the Park and Pavillion projects. A swingset was purchased and donated to the Village in the current fiscal year.

Depreciation expense was changed to programs of the component units as follows:

| | |
|---------------------------------------|-----------|
| Hopkins Library | \$ 18,764 |
| Downtown Development Association | <u>0</u> |
| Total Culture & Recreation Activities | 18,764 |

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances is as follows:

| Due To/From Other Funds | | | |
|--------------------------------|-------------|---------------------|---------------|
| <u>Receivable Fund</u> | | <u>Payable Fund</u> | <u>Amount</u> |
| General | \$ 0 | Sewer | \$ 0 |
| | | Major Street | 0 |
| | | Local Street | 0 |
| Total | <u>\$ 0</u> | | <u>\$ 0</u> |

No material interfund balances existed as of the year end date.

Interfund Transfers

| <u>Transfers In</u> | <u>Transfers (Out)</u> | | <u>Total</u> |
|---------------------|------------------------|--------------------------|------------------|
| | <u>General Fund</u> | <u>Major Street Fund</u> | |
| Major Street Fund | \$ 17,000 | \$ 0 | \$ 17,000 |
| Local Street Fund | 6,500 | 9,000 | 15,500 |
| Police Fund | 49,122 | 0 | 49,122 |
| Debt Service Fund | 12,050 | 0 | 12,050 |
| Total | <u>\$ 84,672</u> | <u>\$ 9,000</u> | <u>\$ 93,672</u> |

**VILLAGE OF HOPKINS
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 8 - VILLAGE DEBTS

The Village purchased a maintenance vehicle from a local dealership in May 2003. The vehicle is being financed at 0% interest for 36 months. Monthly principal only payments of \$1,000 are required.

| | Beginning Debt Requirements <u>1/1/05</u> | <u>Additions</u> | <u>Payments</u> | Ending Debt Requirement <u>12/31/05</u> |
|-----------|---|------------------|-----------------|---|
| Principal | \$ 15,000 | \$ - | \$ (12,050) | \$ 2,950 |
| Interest | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | \$ 15,000 | \$ - | \$ (12,050) | \$ 2,950 |

Debt service requirements will be \$2,950 in 2006.

NOTE 9 - FIRE DEPARTMENT

The Village of Hopkins entered into an Interlocal Fire Protection agreement with area townships. This agreement formed the Hopkins Area Fire Board which provides basic fire protection services throughout the Hopkins fire district. The fire department is governed, managed and controlled by the Hopkins Area Fire Board. The last audit of the Fire Control Board, as of March 31, 2005 reflects the following from the Government Wide financial statements:

| | | | |
|---------------------------|----------------|-----------------------|---------------|
| Current assets | \$ 27,411 | Total Expenses | \$ 96,668 |
| Fire equipment - net | <u>240,343</u> | Plus Program Revenue | <u>92,767</u> |
| Total assets | 267,754 | Net Revenues | (3,901) |
| | | Plus General Revenues | <u>435</u> |
| Investment in | | Change in Net Assets | (3,466) |
| Capital assets | 240,343 | | |
| Net assets-restricted for | | | |
| Public Safety | <u>25,211</u> | | |
| | 265,554 | | |

NOTE 10 - BUILDING INSPECTION SERVICES

Public Act 245 of 1999 became effective January 1, 2000. This construction code act specified that a statewide code would apply to the plumbing, electrical, mechanical and building codes, dictating the Village's involvement in these services. The Village of Hopkins subcontracts this service to a local inspector. No profit or loss is recognized from this service.

REQUIRED SUPPLEMENTAL INFORMATION

**VILLAGE OF HOPKINS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2005**

| | Original Budget | Amended Budget | Actual | Variance With Amended Budget |
|--------------------------------------|--------------------|-------------------|------------------|---------------------------------------|
| Beginning of Year Fund Balance | 114,793 | 114,793 | 114,793 | 0 |
| Resources (Inflows) | | | | |
| Taxes and penalties | 80,548 | 80,548 | 69,926 | (10,622) |
| Licenses and permits | 0 | 0 | 0 | 0 |
| State aid | 46,950 | 46,950 | 56,948 | 9,998 |
| Contributions from local government | 0 | 0 | 1,200 | 1,200 |
| Interest and rentals | 42,500 | 42,500 | 47,595 | 5,095 |
| Miscellaneous revenues | 19,000 | 19,000 | 19,411 | 411 |
| Transfers from other funds | 0 | 0 | 0 | 0 |
| Amounts Available for Appropriation | 303,791 | 303,791 | 309,873 | 6,082 |
| Charges to Appropriations (Outflows) | | | | |
| General Government | | | | |
| Village operations | 45,575 | 45,575 | 45,193 | 382 |
| Other General Government | | | | |
| Building and grounds | 63,500 | 63,500 | 63,924 | (424) |
| Attorney | 1,500 | 1,500 | 1,568 | (68) |
| Public Safety | 16,306 | 16,306 | 16,130 | 176 |
| Public Works | 0 | 0 | 0 | 0 |
| Recreation and culture | 1,000 | 1,000 | 850 | 150 |
| Community/Economic development | 1,500 | 1,500 | 408 | 1,092 |
| Capital outlay | 8,000 | 4,000 | 3,562 | 438 |
| Transfers to other funds | 68,000 | 84,500 | 84,672 | (172) |
| Total Charges to Appropriations | 205,381 | 217,881 | 216,307 | 1,574 |
| Budgetary Fund Balance-Dec 31 | <u>\$ 98,410</u> | <u>\$ 85,910</u> | <u>\$ 93,566</u> | <u>\$ 7,656</u> |

**VILLAGE OF HOPKINS
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
YEAR ENDED DECEMBER 31, 2005**

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|-------------------------------------|----------------------------|---------------------------|-----------------|---|
| Beginning of Year Fund Balance | \$ 18,956 | \$ 18,956 | \$ 18,956 | \$ 0 |
| Resources (Inflows) | | | | |
| State aid | 36,000 | 36,000 | 36,361 | 361 |
| Interest | 50 | 50 | 51 | 1 |
| Miscellaneous | 500 | 500 | 3,244 | 2,744 |
| Transfers In | <u>12,000</u> | <u>17,000</u> | <u>17,000</u> | <u>0</u> |
| Amounts Available for Appropriation | <u>67,506</u> | <u>72,506</u> | <u>75,612</u> | <u>3,106</u> |
| Charges to Appropriation (Outflows) | | | | |
| Public Works | | | | |
| Roads | 39,550 | 58,050 | 59,624 | (1,574) |
| Transfers Out | <u>9,000</u> | <u>9,000</u> | <u>9,000</u> | <u>0</u> |
| Total Charges to Appropriations | <u>48,550</u> | <u>67,050</u> | <u>68,624</u> | <u>(1,574)</u> |
| Budgetary Fund Balance-Dec 31 | <u>\$ 18,956</u> | <u>\$ 5,456</u> | <u>\$ 6,988</u> | <u>\$ 1,532</u> |

**VILLAGE OF HOPKINS
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
YEAR ENDED DECEMBER 31, 2005**

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|-------------------------------------|--------------------|-------------------|------------------|---------------------------------------|
| Beginning of Year Fund Balance | \$ 9,278 | \$ 9,278 | \$ 9,278 | \$ 0 |
| Resources (Inflows) | | | | |
| State aid | 13,000 | 13,000 | 14,105 | 1,105 |
| Interest | 50 | 50 | 14 | (36) |
| Miscellaneous | 500 | 500 | 695 | 195 |
| Transfers In | 9,000 | 15,500 | 15,500 | 0 |
| Amounts Available for Appropriation | <u>31,828</u> | <u>38,328</u> | <u>39,592</u> | <u>1,264</u> |
| Charges to Appropriation (Outflows) | | | | |
| Public Works | | | | |
| Roads | <u>22,550</u> | <u>29,050</u> | <u>27,801</u> | <u>1,249</u> |
| Total Charges to Appropriations | <u>22,550</u> | <u>29,050</u> | <u>27,801</u> | <u>1,249</u> |
| Budgetary Fund Balance-Dec 31 | <u>\$ 9,278</u> | <u>\$ 9,278</u> | <u>\$ 11,791</u> | <u>\$ 2,513</u> |

**VILLAGE OF HOPKINS
BUDGETARY COMPARISON SCHEDULE
POLICE FUND
YEAR ENDED DECEMBER 31, 2005**

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|--------------------------------------|----------------------------|---------------------------|-----------------|---|
| Beginning of Year Fund Balance | \$ 1,410 | \$ 1,410 | \$ 1,410 | \$ 0 |
| Resources (Inflows) | | | | |
| Taxes and penalties | 9,883 | 9,883 | 9,812 | (71) |
| Miscellaneous | 3,500 | 3,500 | 3,997 | 497 |
| Transfers from other funds | <u>44,000</u> | <u>49,000</u> | <u>49,122</u> | <u>122</u> |
| Amounts Available for Appropriation | <u>58,793</u> | <u>63,793</u> | <u>64,341</u> | <u>548</u> |
| Charges to Appropriations (Outflows) | | | | |
| Public Safety | | | | |
| Police | <u>44,000</u> | <u>62,000</u> | <u>62,116</u> | <u>(116)</u> |
| Total Charges to Appropriations | <u>44,000</u> | <u>62,000</u> | <u>62,116</u> | <u>(116)</u> |
| Budgetary Fund Balance-Dec 31 | <u>\$ 14,793</u> | <u>\$ 1,793</u> | <u>\$ 2,225</u> | <u>\$ 432</u> |

**VILLAGE OF HOPKINS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005**

| | Building Inspection | Debt Service | Total Non-Major Governmental Funds |
|--|------------------------|--------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 0 | \$ 0 | \$ 0 |
| Investments | 0 | 0 | 0 |
| Receivables - net | 0 | 0 | 0 |
| Due from other funds | 0 | 0 | 0 |
| Total Assets | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Liabilities and Fund Equity | | | |
| Liabilities | | | |
| Accounts payable | \$ 0 | \$ 0 | \$ 0 |
| Due to other funds | 0 | 0 | 0 |
| Total Liabilities | 0 | 0 | 0 |
| Fund Balance | | | |
| Reserved | 0 | 0 | 0 |
| Unreserved | 0 | 0 | 0 |
| Total Fund Equity | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Liabilities and Fund Equity | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF HOPKINS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005

| | Building Inspection | Debt Service | Total Non-Major Governmental Funds |
|---|------------------------|-----------------|---|
| Revenues | | | |
| Taxes and penalties | \$ 0 | \$ 0 | \$ 0 |
| Licenses and permits | 2,150 | 0 | 2,150 |
| State aid | 0 | 0 | 0 |
| Other revenue | 0 | 0 | 0 |
| Total Revenues | 2,150 | 0 | 2,150 |
| Expenditures | | | |
| Current | | | |
| Public safety | 2,150 | 0 | 2,150 |
| Debt Services | | | |
| Principal | 0 | 12,050 | 12,050 |
| Interest | 0 | 0 | 0 |
| Total Expenditures | 2,150 | 12,050 | 14,200 |
| Excess of Revenues Over (Under) Expenditures | 0 | (12,050) | (12,050) |
| Other Financing Sources (Uses) | | | |
| Operating transfers in | 0 | 12,050 | 12,050 |
| Operating transfers (out) | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | 0 | 12,050 | 12,050 |
| Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses | 0 | 0 | 0 |
| Fund Balance - Jan 1, 2005 | 0 | 0 | 0 |
| Fund Balance - Dec 31, 2005 | \$ 0 | \$ 0 | \$ 0 |

The Notes to the Financial Statements are an integral part of this statement.

ANGLE & STEFFES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
American Institute of Certified
Public Accountants (AICPA)

Michigan Association of Certified
Public Accountants (MACPA)

430 WESTERN AVENUE, SUITE B
ALLEGAN, MICHIGAN 49010

STEVEN K. ANGLE, CPA
THERESA E. STEFFES, CPA, CGFM

Ph: (269) 686-9050
Fax: (269) 686-9056
email: mail@anglesteffes.com

June 20, 2006

In planning and performing our audit of the Financial Statements of the Village of Hopkins for the year ended December 31, 2005, we considered the Village of Hopkins' internal control structure to determine audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are an opportunity to strengthen internal control and increase operating efficiency. We offer the following items for your consideration.

Special Revenue Funds

The Village utilizes a number of separate checking accounts, all for special purpose uses. Currently, the General Fund pays all bills for these services and the special revenue funds reimburse the General Fund.

We recommend the following for the special revenue fund accounting procedures. Record all transactions by type or class, allowing the accounting software to align appropriate expenses by function (road, fire, police, etc). Manual reporting to separate the function activity to greater detail will not be needed, assuring that detail reports will agree to general ledger activity.

Excess of Expenditures Over Appropriations

Public Act 621 of 1978, section 18(1) as amended, provides that the Village shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line functional basis. The approved budgets of the Village for these budgetary funds were adopted to the line item level.

During the year ended December 31, 2005, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

| | <u>Budget</u> | <u>Actual</u> |
|--|---------------|---------------|
| General Fund - Building and Grounds | \$63,500 | \$63,924 |
| General Fund - Attorney | 1,500 | 1,568 |
| General Fund - Transfer to Other Funds | 84,500 | 84,673 |
| Major Street Fund - Roads/Sidewalks | 58,050 | 59,624 |
| Police Fund - Public Safety | 62,000 | 62,116 |

We note that Village officials are reviewing and discussing the budget on a regular basis, however, budget amendments are not consistently reflected in the board minutes or supporting statements. Documenting this fiscal responsibility is required.

Uninsured Funds


The Village utilizes one bank, with a total of \$13,700 over the federally insured level as of December 31, 2005. Generally, the account balances have remained under the federal insurance limit after the sewer certificates have been cashed. We recommend that no more than \$200,000 be maintained in any one bank, \$100,000 limit each in savings and checking accounts, to avoid risk of uninsured losses that may occur.

General

In general the internal control systems of the Village are good and functioning properly. The comments noted above will help the Village strengthen the existing controls and will help provide greater accountability to residents of the Village.

We greatly appreciate the help and cooperation given us by all Village employees and officials.

Respectfully submitted,


Angle & Steffes, P.C.
Certified Public Accountants